# WAL-MART

# ANNUAL REPORT 1985

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*Front and back covers:*
*In Wal-Mart's promise of "satisfaction guaranteed," people make the difference. Whatever their capacity, Wal-Mart associates are supported by up-to-date systems that enhance productivity and assure that most important of end results...a satisfied customer.*

# FINANCIAL HIGHLIGHTS

*(Dollar amounts in thousands except per share data)*

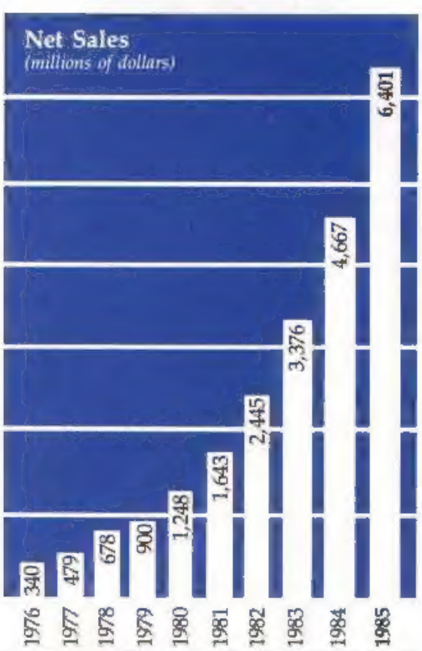
| | January 31, 1985 | January 31, 1984 |
|---|---|---|
| Net sales | **$6,400,861** | $4,666,909 |
| Net income | **270,767** | 196,244 |
| Net income per share: | | |
| Primary and fully diluted | **1.91** | 1.40 |
| Working capital | **614,286** | 502,804 |
| Current ratio | **1.9** | 2.0 |
| Common shareholders' equity | **984,672** | 737,503 |
| Common stock outstanding at year end | **140,222,373** | 139,915,694 |
| Stores in operation at year end: | | |
| Wal-Mart Stores | **745** | 642 |
| Sam's Wholesale Clubs | **11** | 3 |

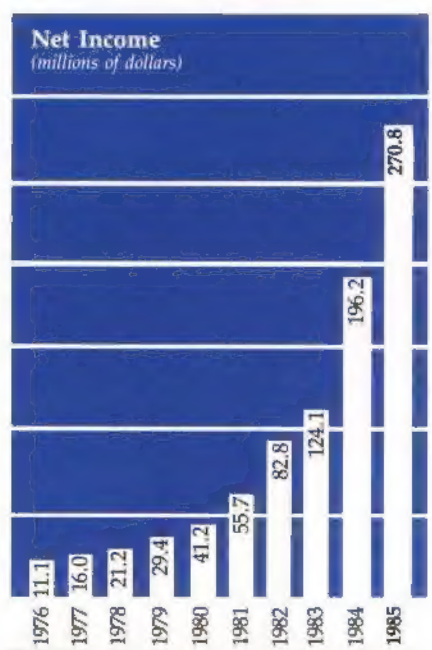
**MARKET PRICE OF COMMON STOCK**

| | Fiscal years ended January 31, | | | |
|---|---|---|---|---|
| | 1985 | | 1984 | |
| Quarter | High | Low | High | Low |
| April 30 | $35.50 | $31.00 | $31.56 | $23.25 |
| July 31 | 41.75 | 35.00 | 45.13 | 30.44 |
| October 31 | 45.88 | 39.63 | 44.38 | 37.13 |
| January 31 | 46.63 | 37.75 | 44.13 | 33.75 |

**DIVIDENDS PAID PER SHARE OF COMMON STOCK**

| Fiscal years ended January 31, | | | |
|---|---|---|---|
| 1985 | | 1984 | |
| Quarterly | | Quarterly | |
| April 11 | $.0525 | April 12 | $.035 |
| July 6 | .0525 | July 8 | .035 |
| October 5 | .0525 | October 4 | .035 |
| January 4 | .0525 | January 4 | .035 |



*Executive Committee of the Board of Directors: (seated, from left) Jack Shewmaker, David D. Glass, S. Robson Walton; (standing, from left) James L. Walton, Donald G. Soderquist, A. L. Johnson, Sam M. Walton.*

## TO OUR SHAREHOLDERS:

Fiscal 1985 was an exciting year! Our Company produced record sales and earnings in a retail environment which became increasingly more promotional as the year progressed.

Sales increased 37% to $6.401 billion from $4.667 billion. Net income increased 38% to $270.8 million from $196.2 million. Fully diluted net income per share was $1.91, up from $1.40 in the prior year.

A clear measurement of the success of our overall programs is the 15% sales increase in comparable stores, which is in addition to a 15% same-store sales increase attained during the preceding year. Sales productivity per gross square foot of store space advanced to $166 during the year from $150 per square foot in the prior fiscal year. These sales statistics for our more established stores indicate that we are continuing to increase market share in many of the communities in which our stores operate. Of particular interest is the fact that these sales advances during the past two years have been accomplished during a period of very limited inflation, which reveals that merchandise-unit sales have increased almost in direct proportion to the increases in dollar sales. Maintaining the profitability rates of earlier inflationary periods during the current non-inflationary period has presented, and will continue to present, unique opportunities and challenges.

Our net earnings for fiscal 1985 were 4.2% of sales, which equals the record earnings rate for fiscal 1984. The composition of this earnings rate, however, varies somewhat between years. We continued a strong emphasis on everyday low pricing, which remains our philosophy regardless of the economic or competitive environment. This everyday-low-price program in our discount stores combined with the lower gross margins from Sam's Wholesale clubs served to reduce our gross margin comparing fiscal 1985 to 1984. This reduction in gross margin was tempered somewhat by a lesser increment to the LIFO inventory provision. To compensate for the resulting gross profit reduction to 26.2% of sales from 26.8% in the earlier year, operating expenses (excluding interest) were reduced to 18.5% of sales this year from 19.1% in the earlier year. A portion of this expense reduction is attributed to the lower expense-to-sales ratio from the Sam's units and the remainder to the expense control efforts of all associates throughout the Company.

The Company's financial position was strengthened further by the excellent profit generation. Several financial ratios attest to this position. Long-term debt(including obligations under capital leases)-to-equity ratio at year-end was .50:1, compared with

.52:1 one year earlier. Return on stockholders' equity (beginning-of-the-year balance), which has traditionally been maintained above 30%, was 36.7% for the most recent year.

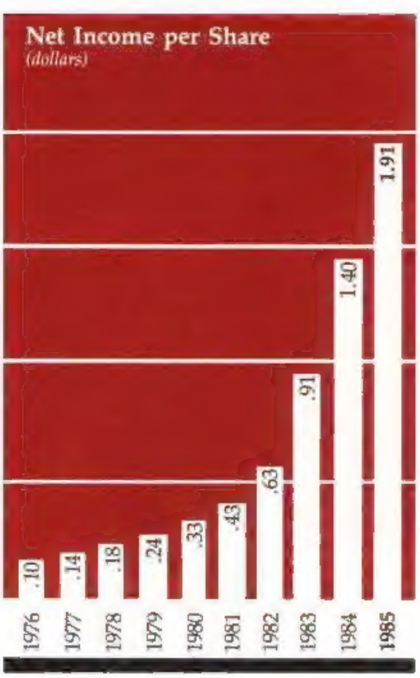
Most of our major objectives for this past year were accomplished. During fiscal 1985 our Company opened 106 new Wal-Mart stores (three stores were closed), eight new Sam's Wholesale Club units and one Helen's Arts and Crafts store. In addition to the new store program, 18 of our older stores were either expanded or relocated and 52 stores were remodeled. This program of monitoring existing stores to ensure they are properly sized and positioned in their markets and updated to today's standards assists them in maintaining and improving sales productivity. During the year more than 7.5 million square feet of store space were added, representing an increase of 21.8% in store square footage from the beginning of the year.

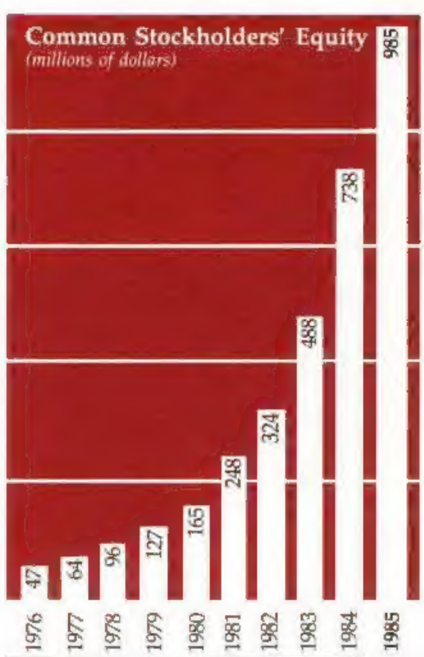
Our inventory controls throughout most of the year were the best we have realized, which resulted in a modest improvement in Wal-Mart store inventory rate of turnover to 4.6 from 4.5 turns in the year-earlier period. We ended the year, however, with higher-than-planned inventories, which have been returned to planned levels within the first two months of the new year.

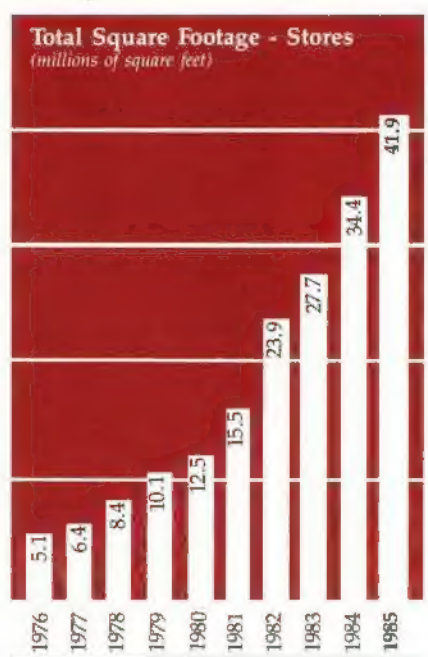
Sam's Wholesale Club developed beyond the test stage and became an integral part of Wal-Mart's future growth plans. This wholesale, warehouse, membership club operation is compatible with Wal-Mart's discount store operation and adds potential to the Company's continuing growth.

Our shrinkage, or inventory loss, was contained at the lowest level ever—1.06% of sales—which compares with a 1.48%-of-sales loss in the year-earlier period. Effective shrinkage control requires participation of all associates throughout the year. To encourage this constant attention, an incentive program rewards all asssociates in stores reaching objective-shrinkage rates. Eighty-two percent of Wal-Mart stores qualified this year for a maximum award under the program.

The new distribution facility in Mount Pleasant, Iowa, 650,000 square feet in size, became operational in January 1985. This facility is positioned to serve our expanding number of stores in the north central portion of the country.



Systems support of our people is a continuing critical requirement of the Company. Some of the current year's accomplishments and plans for the future are featured in the following section.

We are entering this new year with renewed enthusiasm toward the opportunities for Wal-Mart, its associates, suppliers and shareholders. Our management group has established aggressive growth plans which project sales in excess of $8 billion. Among these plans are:

- 115 new Wal-Mart stores, plus 60 expansions or relocations and 30 remodels. Two additional states, Wisconsin and Colorado, will be entered this year.
- 10-12 new Sam's Wholesale Club units. Sales volume in this division will more than double.
- Tests of our deep-discount pharmacy, dot Discount Drug store, will be expanded by several additional units.
- Tests in Helen's Arts and Crafts store will be expanded by several additional units.
- A new, small-store prototype, 25,000-30,000 square feet, will be developed and opened in several communities, smaller than typical Wal-Mart towns.
- Electronic scanning of the UPC (Uniform Product Code) at point-of-sale will be added to more than 200 stores.
- A new distribution facility is under construction in Douglas, Georgia, and will commence operations late this year. An additional facility will be built in Brookhaven, Mississippi, construction to commence late this year. A site for a third new facility is being sought in the western portion of Wal-Mart territory.
- A "Buy America" program has been announced. This is a sustained program designed to give preference to merchandise manufactured in the United States. Hopefully this program will play some part in stemming the flow of jobs abroad (see next section for more detail on this program).

In addition to the above plans, we will be emphasizing better execution of our basic programs. People development remains our number-one priority. In a growing company, the decision-making process must be pushed to lower levels, and management at all levels must be broadened in preparation for this responsibility.

Our "aggressive hospitality" program is under way. It is designed to offer our customers better service in every way possible. From the time customers enter a Wal-Mart store until they leave, our associates endeavor to provide the warmest, most friendly, most helpful and most appreciative environment in which to shop.

Our people are excited about the opportunities in this new year. The Wal-Mart team, all 81,000 associates throughout our trade territory, have produced consistently excellent results in the past, and with their continued dedication and commitment to hard work, we shall reach our objectives for fiscal 1986.

Respectfully,

Sam M. Walton
Chairman of the Board and
Chief Executive Officer

David D. Glass
President and
Chief Operating Officer

Jack Shewmaker
Vice Chairman and
Chief Financial Officer

# OVERVIEW


*Throughout the Wal-Mart organization, people-supportive systems provide the basis for a smooth-running operation, with emphasis on the "people."*

## PEOPLE-SUPPORTIVE SYSTEMS

The future of Wal-Mart depends on its people and their abilities to respond to the changing needs of its customers. Our systems development over the years has been designed to support our people and to make them more effective through an efficient flow of information. Some of the systems we have implemented or are planning illustrate how this objective is accomplished.

A contract recently has been signed for the purchase of a satellite communications system which will ultimately link all stores and distribution centers with the general offices. This approach to intracompany communications permits the Company to fix its cost for a number of years for the handling of voice and data communications. As the number of stores continues to increase, the timeliness of data becomes more critical. This new system will allow the simultaneous sending and receiving of information to all stores. An added benefit to be derived is the broadcasting of television to all stores from the general offices for training sessions, merchandising ideas, urgent messages from management, etc.

Initial testing of the system will begin this year with the installation of earth stations (transmitter and receiver) at the general office and in two distant distribution facilities. In addition, 10 stores will be placed on line for a pilot test of video only. In 1986, the plan provides for rapid installation of the system throughout the chain.

A good example of a system which continues to evolve over an extended period is the purchase order management system. This system provides a vehicle for the merchandise

*Efficient, systematic procedures expedite a product's journey from vendor to customer.*

division to store vendor and merchandise information and through terminals to access information on order status. Continuing enhancements to this system will project and schedule future receivings and provide markup data on these outstanding orders.

The Telxon handheld terminal is a direct assistance to store associates in re-ordering merchandise. Upon scanning a shelf label, the unit provides a description of the merchandise and information on prior quantities ordered, cost and retail of the merchandise item and the extended cost and retail of quantity being ordered. This device and accompanying system save significant time in the ordering cycle, which in turn improves services to our customers.

*Whether the merchandise is seasonal or year-round, Wal-Mart sales are strengthened by the associates' desire to present a friendly, helping hand to customers.*

Our Data Communications Department serves as the link between the general office and all stores and warehouses for the transmission and receipt of all data. A "help-desk" was established in the department this year to provide human contact for store associates experiencing problems with any systems whether related to payroll, accounts payable, cash registers, computers or any problem not easily referred to another department. The "help-desk" is open 24 hours a day and responds quickly to all problems presented. The major benefit, however, is that store associates receive attention to problems as they arise and always have an interested person to whom problems can be referred.

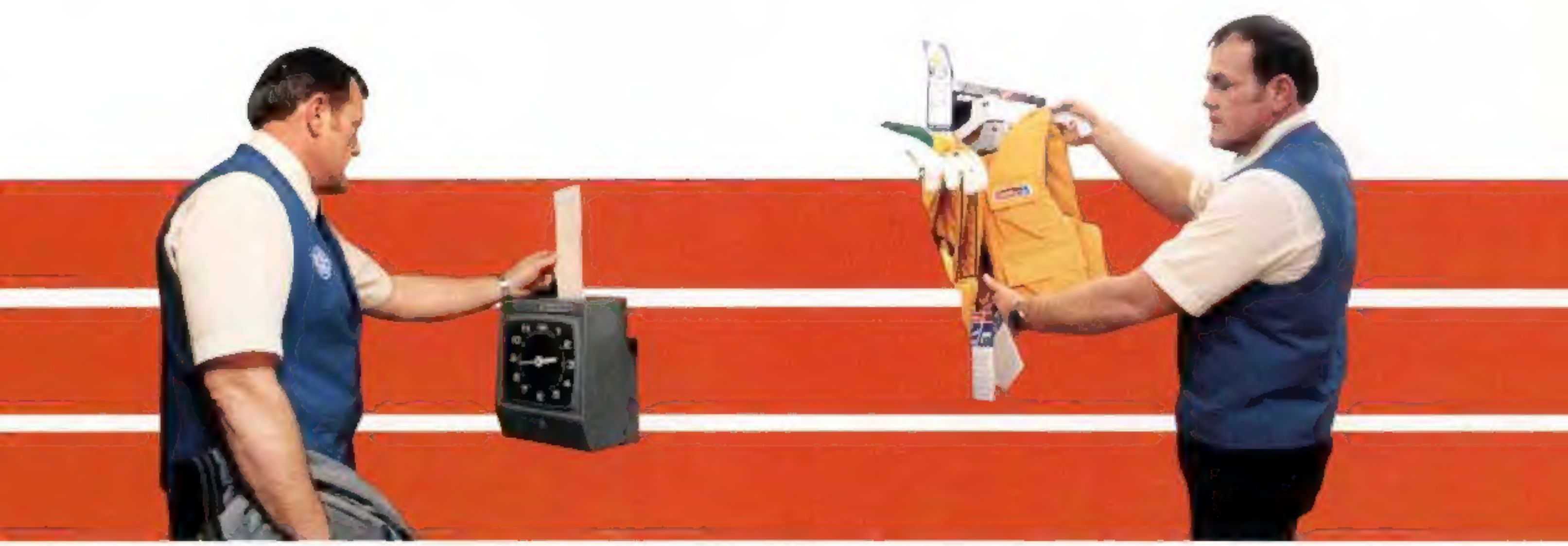
A regional merchandising system has been developed this past year utilizing Computer Aided Design (CAD). This system assists our merchandising associates by tailoring merchandise offerings to the needs of the individual store-community. The system provides for 128 traits including such characteristics as climate, ethnic orientation,

*A "help-desk" in Wal-Mart's Data Communications Department provides an immediate link from the home office to in-store associates encountering systems problems.*

recreational preferences, rural/urban, military or college town, industrial or retirement, etc. Utilizing the same information that distinguishes the unique characteristics of each community, this system also assists in determining store layout and departmental adjacencies.

People development remains a prime and continuing objective. To assist in tracking the needs and experience of all management associates, the Company implemented a Human Resources System during 1984. Personal preferences of where to live, performance evaluations, training programs completed, job assignments, salary information, family statistics, education, etc., are maintained to provide a current profile on the development and potential of each associate. By no means does this mechanical tracking replace personal evaluations of each individual. It does, however, provide a more accurate and thorough background profile for easy access than can possibly be maintained manually.

Wal-Mart has been sensitive to problems associated with checking out customers through cash register lanes for many years. The Company has experimented with many alternatives to speed up this process and has, in the past, elected to limit collection of sales data to the barest essentials in order not to delay the customer. Several years ago the Company tested scanning of Uniform Product Code (UPC), which includes price and merchandise-unit information. The gathering of additional information for purposes of replenishment was important, but the greatest benefit was a considerably faster checking out of our customers. In 1983 we installed UPC scanning equipment in 25 stores, and in 1984 an additional 66 stores were equipped. In this new year, all 115 new stores will open with scanning devices, and an additional 90 existing stores will be converted. Wal-Mart is committed to incorporating this program into all of its stores.



*Well-trained, responsive associates typify Wal-Mart's desire to serve the customer.*

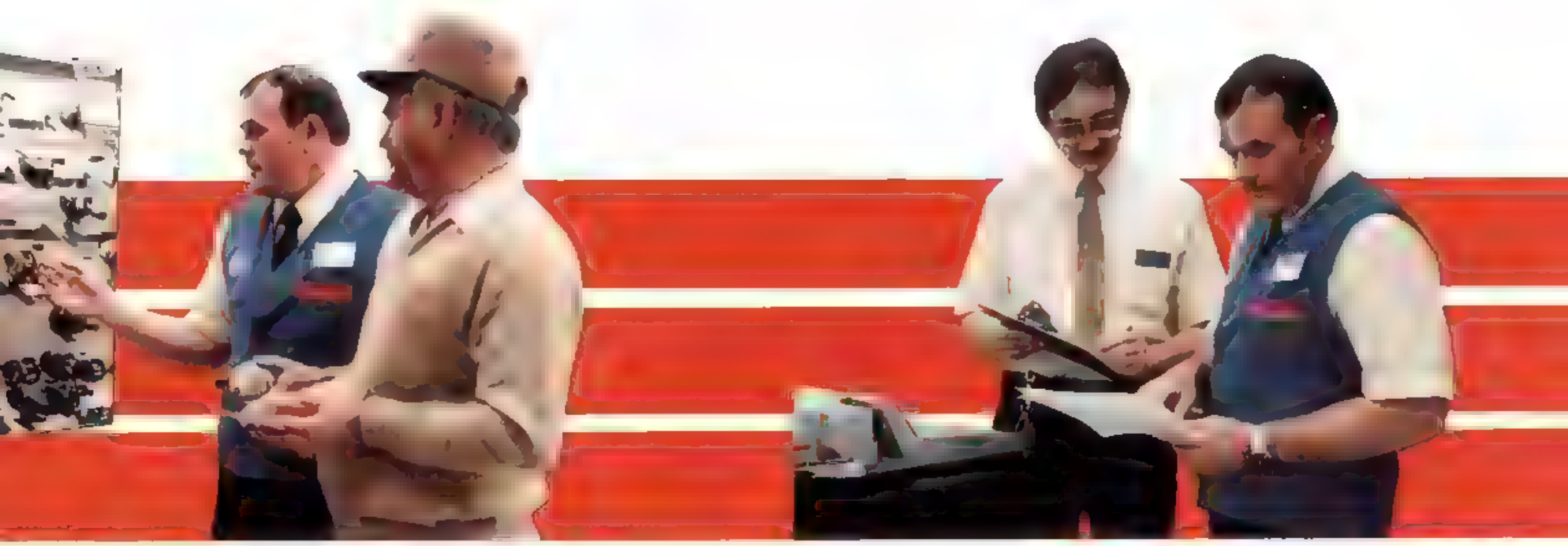
Perhaps the most people-supportive program the Company has ever entered into was just initiated in March 1985. In an open letter, management of the Company asked American manufacturers and retailers to mutually consider a "Buy America" plan of producing and buying U.S. products to help reduce the balance of trade deficit. Our Company is firmly committed to the philosophy of buying everything possible from suppliers who manufacture products in the United States. With proper cooperation between retailers and suppliers, domestic manufacturers can commit to improved equipment and machinery and increased employee productivity to produce the highest-quality product at the lowest possible cost.

*"Break-pack" operations in Wal-Mart's distribution centers help tailor shipments to individual stores by breaking down large, multi-unit merchandise received into smaller, outgoing, combination packages.*

## COMPANY PROFILE

Wal-Mart is dedicated to a philosophy of continuing, controlled, profitable growth. The Company's annual rate of growth, compounded for the past 10 years, is 38.5% in sales and 42.5% in profitability. With sales of $6.4 billion during this past year (compared with $4.7 billion one year earlier) and earnings of $271 million (compared with $196 million for the preceding year), Wal-Mart remains one of the fastest-growing major retailers in the country. The Company opened a net of 103 new Wal-Mart stores, eight Sam's Wholesale Club units and one Helen's Arts & Crafts store during the past year. At January 31, 1985, 745 Wal-Mart stores and 11 Sam's Wholesale clubs were in operation (see map on page 11 for location of stores by state).

The Company's store-opening program results from a well-defined strategy to saturate market areas and then to expand gradually into adjoining markets. The current market area covers 20 states, with plans to enter two additional states, Colorado and Wisconsin, during 1985.



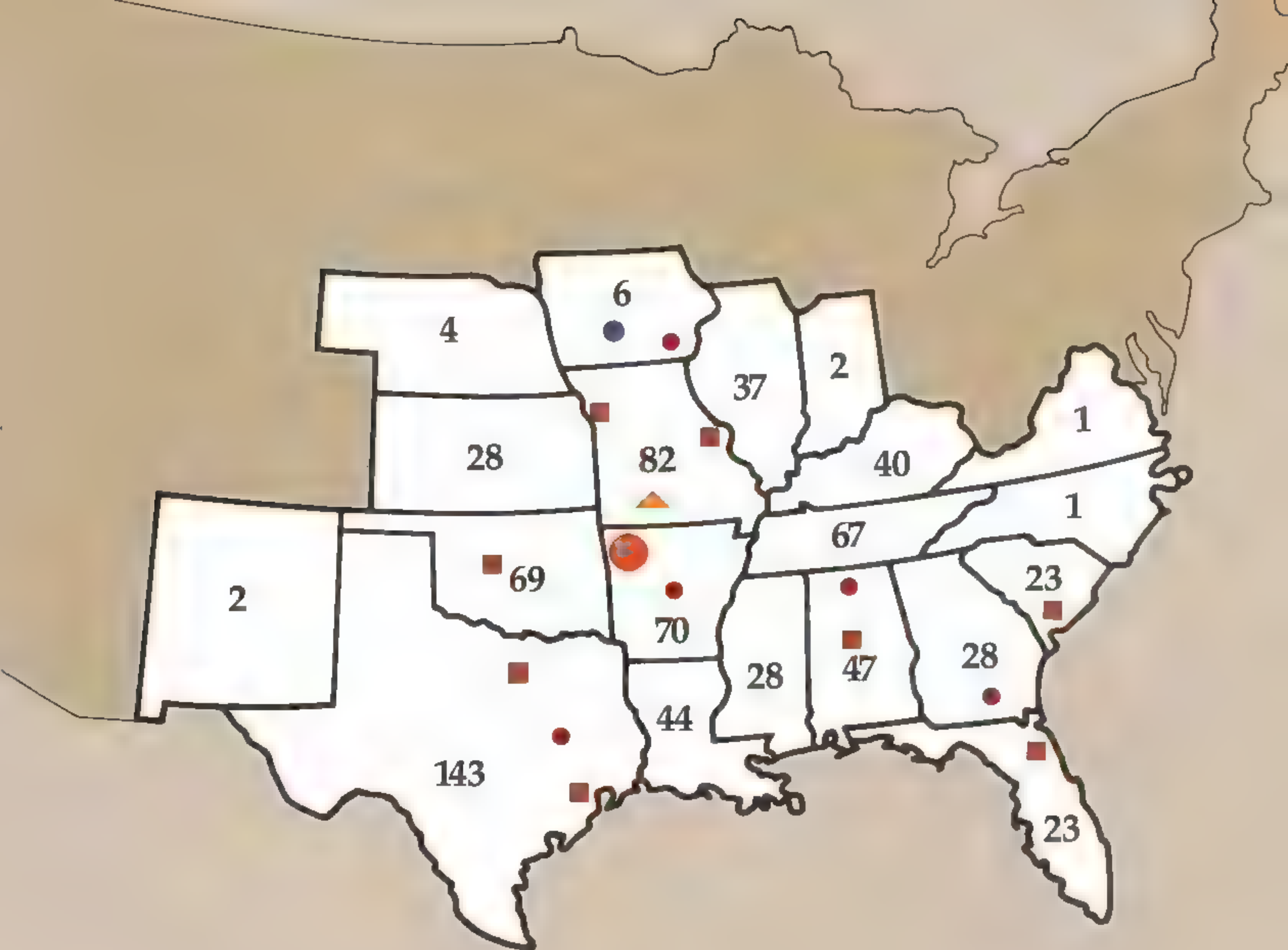
*Aggressive hospitality on the part of all in-store associates is part of the Company's emphasis on making the customer "number one."*

The first Wal-Mart store was opened in Rogers, Arkansas, during 1962. The Company's origins date back to 1945 when Sam M. Walton opened his first Ben Franklin franchise operation in Newport, Arkansas. Prior to opening their first discount store, Sam Walton and his brother "Bud" Walton operated a group of Ben Franklin variety stores which were to serve as the foundation for a chain of quality retail discount department stores throughout the southern and central portions of the country.

During the first 20 years of discount retailing, Wal-Mart stores were located primarily in small towns. In recent years, however, an increasing number of stores are being opened in and around the metropolitan areas within the chain's regional trade territory. The first Sam's Wholesale Club was opened in Oklahoma City in 1983. This initial test store has proven successful, and 10 additional units were in operation by the end of last year. This warehouse, membership store concept, designed to operate at high sales volumes and very low gross margins and expenses, is compatible with and complements the Wal-Mart program. The wholesale clubs are an integral part of Wal-Mart's future growth plans.

A strategically located network of seven distribution centers, essential to the efficient operation of Wal-Mart stores, assures a constant flow of merchandise to the stores. These centers process approximately 77% of the merchandise sold in Wal-Mart stores.

A profile of Wal-Mart is not complete without mention and recognition of the excellent performance of its people. The Company employs approximately 81,000 associates who are partners in the business. Through their efforts and dedication the Company consistently has been able to produce record results. "Our people make the difference."




# 745 WAL-MART STORES

Figures indicate number of Wal-Mart stores in each state.

- General office and three distribution centers in Bentonville, Arkansas
- Distribution centers in Mt. Pleasant, Iowa; Searcy, Arkansas; Palestine, Texas; Cullman, Alabama and Douglas, Georgia (under construction)
- Sam's Wholesale clubs (11 units in eight cities)
- dot Discount Drug store in Des Moines, Iowa
- Helen's Arts and Crafts store in Springfield, Missouri

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Fiscal years ended January 31, 1985, 1984 and 1983**

### Results of operations

Sales for the three years and the respective total and comparable store percentage sales increases over the prior year were:

| Fiscal years ended January 31, | Sales | Total company percent increases | Comparable stores percent increases |
|---|---|---|---|
| 1985 | $6,400,861,000 | 37% | 15% |
| 1984 | 4,666,909,000 | 38 | 15 |
| 1983 | 3,376,252,000 | 38 | 11 |

Sales increases were due primarily to the improved productivity of comparable stores, the contributions of new stores (106 opened in fiscal 1985, 91 in 1984 and 66 in 1983) and inflation which has gradually declined during the three year period. The impact of inflation and changing prices on results of operations is presented in Note 8 of Notes to Consolidated Financial Statements.

The consistency of operating results is demonstrated in the following table, which reports revenues (other than sales) and costs as percentages of sales:

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| | **1985** | 1984 | 1983 |
| Revenues (other than sales) | **.8%** | .8% | .7% |
| Cost of sales | **73.8** | 73.2 | 72.8 |
| Operating, selling and general and administrative expenses | **18.5** | 19.1 | 20.1 |
| Interest costs | **.7** | .8 | 1.1 |
| Provision for income taxes | **3.6** | 3.5 | 3.0 |
| Net income | **4.2** | 4.2 | 3.7 |

Cost of sales, expressed as a percentage of sales, increased .6% in fiscal 1985 compared with 1984. The increases were due to the cost of sales in the Sam's Wholesale Club units, which is significantly higher than in the balance of the Company, and the continuation of reduced initial markons supporting emphasis in the discount stores on everyday low prices partially offset by an improvement in shrinkage and lower LIFO costs.

Cost of sales increases in fiscal 1984 compared with 1983 primarily related to a reduced initial markon supporting the Company's emphasis on everyday low prices.

Operating, selling and general and administrative expenses decreased as a percentage of sales in fiscal 1985 as compared with 1984 through continued emphasis on expense control and productivity, and the effects of the Sam's Wholesale Club units' expense ratios to sales being significantly lower than in the balance of the Company.

Improved productivity and expense consciousness throughout the Company reduced operating, selling and general and administrative expenses by 1.0% during fiscal 1984.

Interest costs on debt remained constant, as a percentage of sales, in fiscal 1985 as compared with fiscal 1984. This followed a decline of .5% during fiscal 1984, which resulted primarily from reduced borrowings combined with lower weighted-average interest rates. See Note 3 of Notes to Consolidated Financial Statements for additional information on interest and debt. The portion of interest costs attributable to capital leases remained relatively constant as a percentage of sales during the three-year period.

The effective tax rate was 46% in fiscal 1985, 45.1% in 1984 and 44.7% in 1983. The increasing rate is primarily the result of a lower level of tax credits as a percentage of taxable income.

## Liquidity and capital resources

### Fiscal 1985

Funds from current operations, $347,094,000 in fiscal 1985, are the Company's primary source of liquidity. These funds are used to finance capital expenditures and, to a lesser extent, to pay dividends and provide general working capital. Because of the seasonal buildups in merchandise inventories and the interim financing requirements for store properties developed under sale/leaseback arrangements, the Company maintains lines of credit for short-term borrowings. At January 31, 1985, Wal-Mart had access to $477 million of unused short-term bank borrowings including a $302-million credit line, which can be used to support the issuance of commercial paper.

Wal-Mart opened 106 new stores during fiscal 1985. The Company financed real estate through sale/leaseback arrangements, industrial development bonds (either through lease or secured loan transactions) or leases from real estate developers. Capital expenditures of $213.2 million, excluding leased properties, were incurred in fiscal 1985 and were financed through internally generated funds.

The Company's debt(including obligations under capital leases)-to-equity ratio improved to .50:1 at the end of fiscal 1985 as compared with .52:1 at the end of the preceding year.

Capital expenditures planned for fiscal 1986, excluding leased properties, are approximately $225 million. These expenditures for fixtures, equipment, leasehold improvements and store expansions will be financed from internally-generated funds. In addition, the Company plans to open approximately 115 Wal-Mart stores, 10-12 Sam's Wholesale Club units and three distribution facilities in fiscal 1986, most of which will be financed through sale/leaseback arrangements or real estate developers and will require approximately $250 million in lease financing.

The Company's Board of Directors has increased the cash dividend on common stock for the first quarter of fiscal 1986 to 7.0 cents per share from 5.25 cents.

### Fiscal 1984

Funds generated from operations were $254,778,000. The Company had access to $323 million in unused lines of credit for short-term bank borrowings and an additional $150-million credit line to support the issuance of commercial paper at January 31, 1984.

Additions to property, plant and equipment totaled $110.5 million, excluding leased store properties, and were financed with internally generated funds. The debt-to-equity ratio decreased in fiscal 1984 to .52:1 from .67:1 at the end of the preceding year.

# TEN-YEAR FINANCIAL SUMMARY

**Wal-Mart Stores, Inc. and Subsidiaries**

*(Dollar amounts in thousands except per share data)*

| | 1985 | 1984 | 1983 |
|---|---|---|---|
| **EARNINGS** | | | |
| Net sales | **$6,400,861** | $4,666,909 | $3,376,252 |
| Licensed department rentals and other income - net | **52,167** | 36,031 | 22,435 |
| Cost of sales | **4,722,440** | 3,418,025 | 2,458,235 |
| Operating, selling and general and administrative expenses | **1,181,455** | 892,887 | 677,029 |
| Interest costs: | | | |
| Debt | **5,207** | 4,935 | 20,297 |
| Capital leases | **42,506** | 29,946 | 18,570 |
| Taxes on income | **230,653** | 160,903 | 100,416 |
| Net income | **270,767** | 196,244 | 124,140 |
| Per share of common stock: | | | |
| Net income | | | |
| Primary | **1.91** | 1.40 | .91 |
| Fully diluted | **1.91** | 1.40 | .91 |
| Dividends | **.21** | .14 | .09 |
| Stores in operation at the end of the period | | | |
| Wal-Mart Stores | **745** | 642 | 551 |
| Sam's Wholesale Clubs | **11** | 3 | — |
| **FINANCIAL POSITION** | | | |
| Current assets | **$1,303,254** | $1,005,567 | $ 720,537 |
| Net property, plant, equipment and capital leases | **870,309** | 628,151 | 457,509 |
| Total assets | **2,205,229** | 1,652,254 | 1,187,448 |
| Current liabilities | **688,968** | 502,763 | 347,318 |
| Long-term debt | **41,237** | 40,866 | 106,465 |
| Long-term obligations under capital leases | **449,886** | 339,930 | 222,610 |
| Preferred stock with mandatory redemption provisions | **5,874** | 6,411 | 6,861 |
| Common stockholders' equity | **984,672** | 737,503 | 488,109 |
| **FINANCIAL RATIOS** | | | |
| Current ratio | **1.9** | 2.0 | 2.1 |
| Inventories/working capital | **1.8** | 1.5 | 1.5 |
| Return on assets* | **16.4** | 16.5 | 13.2 |
| Return on stockholders' equity* | **36.7** | 40.2 | 38.3 |

**On beginning of year balances*

| 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 |
|---|---|---|---|---|---|---|
| $2,444,997 | $1,643,199 | $1,248,176 | $900,298 | $678,456 | $478,807 | $340,331 |
| 17,650 | 12,063 | 10,092 | 9,615 | 7,767 | 5,393 | 3,803 |
| 1,787,496 | 1,207,802 | 919,305 | 661,062 | 503,825 | 352,669 | 251,473 |
| 495,010 | 331,524 | 251,616 | 182,365 | 134,718 | 95,488 | 66,427 |
| 16,053 | 5,808 | 4,438 | 3,119 | 2,068 | 1,680 | 1,758 |
| 15,351 | 10,849 | 8,621 | 6,595 | 4,765 | 3,506 | 2,419 |
| 65,943 | 43,597 | 33,137 | 27,325 | 19,656 | 14,818 | 10,925 |
| 82,794 | 55,682 | 41,151 | 29,447 | 21,191 | 16,039 | 11,132 |
| .63 | .43 | .33 | .24 | .19 | .15 | .10 |
| .63 | .43 | .33 | .24 | .18 | .14 | .10 |
| .065 | .05 | .038 | .028 | .02 | .011 | .008 |
| 491 | 330 | 276 | 229 | 195 | 153 | 125 |
| — | — | | — | — | — | — |
| $ 589,161 | $ 345,204 | $ 266,617 | $191,860 | $150,986 | $ 99,493 | $ 76,070 |
| 333,026 | 245,942 | 190,562 | 131,403 | 100,550 | 68,134 | 48,744 |
| 937,513 | 592,345 | 457,879 | 324,666 | 251,865 | 168,201 | 125,347 |
| 339,961 | 177,601 | 170,221 | 98,868 | 74,891 | 43,289 | 33,953 |
| 104,581 | 30,184 | 24,862 | 25,965 | 21,489 | 19,158 | 17,531 |
| 154,196 | 134,896 | 97,212 | 72,357 | 59,003 | 41,190 | 26,534 |
| 7,438 | | — | — | — | — | — |
| 323,942 | 248,309 | 164,844 | 127,476 | 96,482 | 64,417 | 47,195 |
| 1.7 | 1.9 | 1.6 | 1.9 | 2.0 | 2.3 | 2.2 |
| 2.0 | 1.7 | 2.4 | 1.9 | 1.8 | 1.6 | 1.5 |
| 14.0 | 12.2 | 12.7 | 11.7 | 12.6 | 12.8 | 11.2 |
| 33.3 | 33.8 | 32.3 | 30.5 | 32.9 | 34.0 | 30.9 |

# CONSOLIDATED STATEMENTS OF INCOME

**Wal-Mart Stores, Inc. and Subsidiaries**
*(Dollar amounts in thousands except per share data)*

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| | 1985 | 1984 | 1983 |
| **Revenues:** | | | |
| Net sales | **$6,400,861** | $4,666,909 | $3,376,252 |
| Rentals from licensed departments | **13,053** | 10,175 | 7,335 |
| Other income - net | **39,114** | 25,856 | 15,100 |
| | **6,453,028** | 4,702,940 | 3,398,687 |
| **Costs and expenses:** | | | |
| Cost of sales | **4,722,440** | 3,418,025 | 2,458,235 |
| Operating, selling and general and administrative expenses | **1,181,455** | 892,887 | 677,029 |
| Interest costs: | | | |
| Debt | **5,207** | 4,935 | 20,297 |
| Capital leases | **42,506** | 29,946 | 18,570 |
| | **5,951,608** | 4,345,793 | 3,174,131 |
| **Income before income taxes** | **501,420** | 357,147 | 224,556 |
| **Provision for federal and state income taxes:** | | | |
| Current | **220,842** | 152,207 | 86,752 |
| Deferred | **9,811** | 8,696 | 13,664 |
| | **230,653** | 160,903 | 100,416 |
| **Net income** | **$ 270,767** | $ 196,244 | $ 124,140 |
| **Net income per share:** | | | |
| Primary and fully diluted | **$1.91** | $1.40 | $.91 |

*See accompanying notes.*

# CONSOLIDATED BALANCE SHEETS

**Wal-Mart Stores, Inc. and Subsidiaries**

*(Dollar amounts in thousands)*

| | January 31, 1985 | January 31, 1984 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash | $ 1,852 | $ 8,500 |
| Short-term money market investments | — | 148,360 |
| Receivables | 45,578 | 38,795 |
| Recoverable costs from sale/leaseback | 142,389 | 67,645 |
| Inventories | 1,103,925 | 735,395 |
| Prepaid expenses | 9,510 | 6,872 |
| TOTAL CURRENT ASSETS | 1,303,254 | 1,005,567 |
| **Property, plant and equipment, at cost:** | | |
| Land | 29,702 | 16,771 |
| Buildings and improvements | 179,926 | 132,439 |
| Fixtures and equipment | 355,369 | 245,851 |
| Transportation equipment | 41,736 | 24,843 |
| | 606,733 | 419,904 |
| Less accumulated depreciation | 139,322 | 102,259 |
| Net property, plant and equipment | 467,411 | 317,645 |
| Property under capital leases | 474,736 | 363,015 |
| Less accumulated amortization | 71,838 | 52,509 |
| Net property under capital leases | 402,898 | 310,506 |
| **Other assets and deferred charges** | 31,666 | 18,536 |
| **Total assets** | $2,205,229 | $1,652,254 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 451,427 | $ 321,830 |
| Accrued liabilities: | | |
| Salaries | 38,108 | 30,824 |
| Taxes, other than income | 30,399 | 25,187 |
| Other | 85,225 | 65,954 |
| Accrued federal and state income taxes | 73,359 | 51,546 |
| Long-term debt due within one year | 2,982 | 1,443 |
| Obligations under capital leases due within one year | 7,468 | 5,979 |
| TOTAL CURRENT LIABILITIES | 688,968 | 502,763 |
| **Long-term debt** | 41,237 | 40,866 |
| **Long-term obligations under capital leases** | 449,886 | 339,930 |
| **Deferred income taxes** | 34,592 | 24,781 |
| **Preferred stock with mandatory redemption provisions** | 5,874 | 6,411 |
| **Common stockholders' equity:** | | |
| Common stock | 14,022 | 13,992 |
| Capital in excess of par value | 189,907 | 183,558 |
| Retained earnings | 780,743 | 539,953 |
| TOTAL COMMON STOCKHOLDERS' EQUITY | 984,672 | 737,503 |
| **Total liabilities and stockholders' equity** | $2,205,229 | $1,652,254 |

*See accompanying notes.*

# CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

**Wal-Mart Stores, Inc. and Subsidiaries**

*(Amounts in thousands)*

| | Number of shares | Common stock | Capital in excess of par value | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance - January 31, 1982** | 32,420 | $ 3,242 | $ 68,912 | $251,788 | $323,942 |
| Net income | | | | 124,140 | 124,140 |
| Cash dividends: | | | | | |
| Common stock ($.09 per share) | | | | (11,884) | (11,884) |
| Preferred stock ($2.00 per share) | | | | (592) | (592) |
| Accretion of preferred stock redemption premium | | | | (98) | (98) |
| Exercise of stock options | 80 | 8 | 162 | | 170 |
| Conversion of preferred stock | | | 7 | | 7 |
| 100% common stock dividend | 32,500 | 3,250 | (3,250) | | — |
| Sale of common stock | 2,000 | 200 | 49,008 | | 49,208 |
| Exercise of stock options | 177 | 18 | 610 | | 628 |
| Tax benefit from stock options | | | 1,807 | | 1,807 |
| Conversion of preferred stock | 30 | 3 | 663 | | 666 |
| Conversion of convertible subordinated debentures | 4 | | 115 | | 115 |
| **Balance - January 31, 1983** | 67,211 | 6,721 | 118,034 | 363,354 | 488,109 |
| Net income | | | | 196,244 | 196,244 |
| Cash dividends: | | | | | |
| Common stock ($.14 per share) | | | | (19,033) | (19,033) |
| Preferred stock ($2.00 per share) | | | | (528) | (528) |
| Accretion of preferred stock redemption premium | | | | (84) | (84) |
| Exercise of stock options | 130 | 13 | 377 | | 390 |
| Conversion of preferred stock | 1 | | 21 | | 21 |
| Conversion of convertible subordinated debentures | 52 | 5 | 1,352 | | 1,357 |
| 100% common stock dividend | 67,394 | 6,739 | (6,739) | | — |
| Exercise of stock options | 602 | 61 | 409 | | 470 |
| Tax benefit from stock options | | | 11,517 | | 11,517 |
| Conversion of preferred stock | 45 | 5 | 509 | | 514 |
| Conversion of convertible subordinated debentures | 4,481 | 448 | 57,008 | | 57,456 |
| Other | | | 1,070 | | 1,070 |
| **Balance - January 31, 1984** | 139,916 | 13,992 | 183,558 | 539,953 | 737,503 |
| Net income | | | | 270,767 | 270,767 |
| Cash dividends: | | | | | |
| Common stock ($.21 per share) | | | | (29,419) | (29,419) |
| Preferred stock ($2.00 per share) | | | | (482) | (482) |
| Accretion of preferred stock redemption premium | | | | (76) | (76) |
| Exercise of stock options | 253 | 25 | 450 | | 475 |
| Tax benefit from stock options | | | 5,292 | | 5,292 |
| Conversion of preferred stock | 54 | 5 | 607 | | 612 |
| **Balance - January 31, 1985** | 140,223 | $14,022 | $189,907 | $780,743 | $984,672 |

*See accompanying notes.*

# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

**Wal-Mart Stores, Inc. and Subsidiaries**

*(Dollar amounts in thousands)*

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| | **1985** | 1984 | 1983 |
| **Source of funds:** | | | |
| Current operations: | | | |
| Net income | **$270,767** | $196,244 | $124,140 |
| Items not affecting working capital in current period: | | | |
| Depreciation and amortization | **66,516** | 49,838 | 36,986 |
| Deferred income taxes | **9,811** | 8,696 | 8,690 |
| Total from current operations | **347,094** | 254,778 | 169,816 |
| Net proceeds from exercise of options, sale of common stock, conversion of preferred stock and conversion of subordinated debentures | **6,379** | 72,795 | 52,601 |
| Additions to long-term debt | **10,699** | 2,954 | 6,743 |
| Additions to long-term obligations under capital leases | **118,407** | 124,851 | 76,951 |
| Reduction in other assets | **2,958** | 1,342 | 9,218 |
| Other | **16,430** | 8,618 | 5,166 |
| | **501,967** | 465,338 | 320,495 |
| **Application of funds:** | | | |
| Additions to property, plant and equipment | **213,200** | 110,454 | 85,589 |
| Additions to property under capital leases | **111,721** | 118,212 | 80,781 |
| Reduction in long-term debt, including changes in current maturities | **10,328** | 68,553 | 7,299 |
| Reduction in long-term lease obligations, including changes in current obligations | **8,451** | 7,531 | 6,097 |
| Preferred stock conversions | **537** | 450 | 577 |
| Dividends paid | **29,977** | 19,645 | 12,574 |
| Additions to other assets and deferred charges | **16,271** | 10,908 | 3,559 |
| | **390,485** | 335,753 | 196,476 |
| **Increase in working capital** | **$111,482** | $129,585 | $124,019 |
| **Changes in components of working capital:** | | | |
| Increase (decrease) in current assets: | | | |
| Cash | **($ 6,648)** | $ 235 | $ 150 |
| Short-term money market investments | **( 148,360)** | 123,343 | 23,964 |
| Receivables | **6,783** | 5,299 | 16,517 |
| Recoverable costs from sale/leaseback | **74,744** | (26,013) | 26,444 |
| Inventories | **368,530** | 179,693 | 65,129 |
| Prepaid expenses | **2,638** | 2,473 | (828) |
| | **297,687** | 285,030 | 131,376 |
| Increase (decrease) in current liabilities: | | | |
| Notes and accounts payable and accrued liabilities | **161,364** | 152,959 | (25,409) |
| Accrued federal and state income taxes | **21,813** | 7,344 | 30,495 |
| Long-term debt due within one year | **1,539** | (6,237) | 1,312 |
| Obligations under capital leases | **1,489** | 1,379 | 959 |
| | **186,205** | 155,445 | 7,357 |
| **Increase in working capital** | **$111,482** | $129,585 | $124,019 |

*See accompanying notes.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Wal-Mart Stores, Inc. and Subsidiaries**

## Note 1—Accounting policies

**Segment information**—The Company and its subsidiaries are principally engaged in the operation of retail discount stores in a 20-state region. No single customer accounts for a significant portion of its consolidated sales.

**Consolidation**—The consolidated financial statements include the accounts of all subsidiaries.

**Inventories**—Inventories are stated at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores.

**Pre-opening costs**—Costs associated with the opening of new stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

**Interest during construction**—In order that interest costs properly reflect only that relating to current operations, interest on borrowed funds during the construction of property, plant and equipment is capitalized. Interest costs capitalized (excluding amounts related to properties developed under sale/leaseback arrangements) are $970,000, $535,000 and $1,643,000 in 1985, 1984 and 1983, respectively.

**Depreciation**—Depreciation for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, the accelerated cost recovery system is used for assets placed in service after 1980 and accelerated depreciation is used for assets placed in service in 1980 and prior years with recognition of deferred income taxes for the resulting timing differences.

**Operating, selling and general and administrative expenses**—Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

**Income taxes**—Investment tax credits are accounted for under the flow-through method.

Deferred income taxes are provided for income tax and financial reporting differences with respect to depreciation, capitalized leases and other items.

**Net income per share**—Primary and fully diluted net income per share is based on weighted average outstanding common shares and common share equivalents and stock options reduced by shares assumed to have been purchased from such options under the treasury stock method.

**Stock options**—Proceeds from the sale of common stock issued under the stock option plans and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plans.

## Note 2—Inventories

Inventories at January 31, 1985, and January 31, 1984, were $1,103,925,000 and $735,395,000, respectively. Replacement cost (FIFO vs. LIFO) would be $123,339,000 greater in 1985 and $121,760,000 greater in 1984.

### Note 3—Notes payable and long-term debt

Information on short-term borrowings and interest rates follows:

| | Fiscal years ended January 31, | | |
|---|---|---|---|
| | 1985 | 1984 | 1983 |
| Maximum amount outstanding at month-end | **$198,100,000** | $86,602,000 | $173,316,000 |
| Average daily short-term borrowings | **$ 36,216,000** | $24,748,000 | $117,030,000 |
| Weighted average interest rate | **10.4%** | 9.3% | 13.1% |

At January 31, 1985, the Company had lines of credit to support short-term borrowings and commercial paper with 9 banks in an aggregate of $302,000,000, and informal lines of credit with various other banks totaling $175,000,000. Short-term borrowings against these lines of credit bear interest at or below the prime rate, and certain of the lines of credit require compensating balances or commitment fees.

Long-term debt at January 31 consists of:

| | 1985 | 1984 |
|---|---|---|
| 9¼% mortgage notes, payable $68,822 quarterly (including interest) to June 1992 | **$ 1,334,000** | $ 1,477,000 |
| 8⅝% 25-year secured notes, payable $244,595 quarterly (including interest) to October 2003 | **8,902,000** | 9,098,000 |
| 9¾% mortgage note, due 1985 through 2000 | **6,885,000** | 7,275,000 |
| 9% mortgage note, payable $186,140 quarterly (including interest) to March 2008 | **—** | 7,228,000 |
| 8½% secured notes, payable $121,030 quarterly (including interest) to March 2003 | **4,361,000** | 4,468,000 |
| Tax-exempt mortgage obligations, at an average rate of 10.3%, due 1988 through 2014 | **15,795,000** | 7,570,000 |
| Other | **3,960,000** | 3,750,000 |
| | **$41,237,000** | $40,866,000 |

Annual maturities on long-term debt during the next five years are:

| Fiscal years ending January 31, | Annual maturity |
|---|---|
| 1986 | $2,982,000 |
| 1987 | 1,351,000 |
| 1988 | 1,437,000 |
| 1989 | 1,492,000 |
| 1990 | 1,167,000 |

The agreements relating to the 9¼% mortgage notes of a subsidiary, which are guaranteed by Wal-Mart Stores, Inc., contain certain restrictions on the subsidiary concerning additional debt, business activities, investments and issuance of its capital stock.

The agreements relating to the 8⅝% and 8½% secured notes of a subsidiary contain certain restrictions on the subsidiary concerning additional debt, business activities, issuance of its capital stock and merger or consolidation with any other corporation.

**Note 4—Income taxes**

Reconciliations of the statutory federal income tax rate to the effective tax rate, as a percent of pre-tax financial income, are as follows:

| | 1985 | 1984 | 1983 |
|---|---|---|---|
| Statutory tax rate | **46.0%** | 46.0% | 46.0% |
| Investment tax credits | **(3.0)** | (2.7) | (3.2) |
| State income taxes | **2.0** | 2.1 | 2.1 |
| Other | **1.0** | ( .3) | ( .2) |
| Effective tax rate | **46.0%** | 45.1% | 44.7% |

Investment tax credits resulted in reductions of the current federal income tax provisions for 1985, 1984 and 1983 of $14,866,000, $9,675,000 and $7,148,000, respectively.

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes with respect to the following:

| | 1985 | 1984 | 1983 |
|---|---|---|---|
| Depreciation | **$17,263,000** | $9,951,000 | $ 6,286,000 |
| Capital leases | **(4,936,000)** | (3,326,000) | (1,925,000) |
| Other | **(2,516,000)** | 2,071,000 | 9,303,000 |
| | **$9,811,000** | $8,696,000 | $13,664,000 |

**Note 5—Preferred and common stock**

**A. Preferred stock with mandatory redemption provisions**

There are 25 million shares of $.10 par value preferred stock authorized, with 222,860 shares of Series A 8% Cumulative Convertible Preferred Stock outstanding at January 31, 1985, and 247,909 shares outstanding at January 31, 1984. The stock has voting rights, a $25.00 per share stated value, a $27.50 liquidation and redemption value and is convertible into 2.2 shares of common stock. As of October 1, 1986, the Company may at its option redeem the preferred stock if the market price of the Wal-Mart common stock is at least 125% of the conversion price for any 10 consecutive trading days within 30 days preceding the redemption date. Commencing December 31, 1986, the Series A Preferred Stock will be subject to a sinking fund which provides for the redemption of all shares over a five-year period.

The preferred stock is listed on the New York Stock Exchange, and at January 31, 1985, there were 375 stockholders of record.

**B. Common stock**

There are 325 million shares of $.10 par value common stock authorized, with 140,222,373 shares of common stock issued and outstanding at January 31, 1985, and 139,915,694 shares issued and outstanding at January 31, 1984. The common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange, and at January 31, 1985, there were 14,799 stockholders of record.

At January 31, 1985, 2,674,085 shares of common stock were reserved, including 2,184,128 shares for issuance under the stock option plans and 489,957 shares for the conversion of the Series A Preferred Stock.

The options granted under the stock option plans expire 10 years from date of grant and may be exercised in nine annual installments. Further information concerning the options is as follows:

| | Shares | Option price (market price at date of grant) Per Share | Total |
|---|---|---|---|
| Shares under option | | | |
| January 31, 1984 | 1,425,383 | $ .52-45.13 | $15,911,383 |
| Options granted | 139,500 | 30.75-45.75 | 5,377,288 |
| Options canceled | (31,064) | 1.73-39.75 | (770,349) |
| Options exercised | (253,991) | .52-38 38 | (533,887) |
| January 31, 1985 (253,738 shares exercisable) | 1,279,828 | $1.48-45.75 | $19,984,435 |
| Shares available for option | | | |
| January 31, 1984 | 2,415,488 | | |
| January 31, 1985 | 904,300 | | |

**Note 6—Licensed department sales**

The sales of licensed departments as reported by licensees are $117,223,000, $76,835,000 and $71,491,000 for 1985, 1984 and 1983, respectively.

**Note 7—Long-term lease obligations**

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including for certain leases amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under all operating leases were $81,795,000 in 1985, $61,564,000 in 1984 and $47,533,000 in 1983.

Aggregate minimum annual rentals at January 31, 1985, under noncancelable leases are as follows:

| Fiscal years | Operating leases | Capital leases |
|---|---|---|
| 1986 | $ 61,157,000 | $ 57,077,000 |
| 1987 | 58,657,000 | 57,558,000 |
| 1988 | 55,430,000 | 57,722,000 |
| 1989 | 54,032,000 | 57,452,000 |
| 1990 | 53,857,000 | 57,876,000 |
| Thereafter | 602,315,000 | 947,331,000 |
| Total minimum rentals | $885,448,000 | 1,235,016,000 |
| Less estimated executory costs | | 19,673,000 |
| Net minimum lease payments | | 1,215,343,000 |
| Less imputed interest at rates ranging from 8.5% to 14.0% | | 757,989,000 |
| Present value of net minimum lease payments | | $ 457,354,000 |

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to $10,674,000 in 1985, $7,924,000 in 1984 and $6,108,000 in 1983.

Substantially all of the store leases have renewal options for additional terms from five to 15 years at the same or lower minimum rentals.

The Company has entered into lease commitments for land and buildings for 115 future stores. The lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates would approximate $25,932,000 annually over the lease terms.

**Note 8—Changing prices (unaudited)**

The Financial Accounting Standards Board, Statement #33 as amended, Financial Reporting and Changing Prices, requires large public companies to provide information about specific price changes (current costs) on the company's financial statements.

In arriving at the net income adjusted to the current costs of the respective years, only the cost of goods sold and depreciation of fixed assets have been adjusted. According to the statement, revenues and all expenses other than cost of goods sold and depreciation are considered to reflect the average price level for the respective year and, accordingly, have not been adjusted.

Since corporations are taxed on historical dollar results without regard for the inflation-created decline in the real value of the dollar, the provision for income taxes has not been adjusted.

The objective of the current cost method is to reflect the effects of changes in specific prices of the resources actually used in the Company's operation, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost actually expended to acquire them. The historical cost of sales presented below has not been adjusted since cost of sales on a LIFO basis is generally considered to approximate replacement cost. The theory underlying the LIFO method of inventory accounting rests on the concept of matching current costs with current revenues. The Company currently uses the LIFO method of inventory valuation.

Current cost computations were made separately for each component of fixed assets. For purposes of determining current cost of facilities, the Company utilized the concept of service potential, which represents the assets (excluding operating leases) required to generate the sales volume obtained during the period. For certain items which are not acquired on a continual basis, the Company used published valuation cost indices. For those assets which are acquired or built on a continual basis, current costs are readily available for use in calculating estimated replacement cost. Depreciation expense computations were made utilizing the ratios between historical depreciation expense and historical assets within asset categories, and applying such ratios to asset replacement cost data.

**Statement of Income Adjusted for Changing Prices**

*(Dollar amounts in thousands except per share data)*

| | Fiscal year ended January 31, 1985 | |
|---|---|---|
| | Historical dollars | Current costs (nominal dollars) |
| Revenues | $6,453,028 | $6,453,028 |
| Cost of sales | 4,722,440 | 4,722,316 |
| Operating, selling and general and administrative expenses | 1,181,455 | 1,181,735 |
| Interest costs | 47,713 | 47,713 |
| Provision for income taxes | 230,653 | 230,653 |
| Net income | $ 270,767 | $ 270,611 |
| Unrealized gain from decline in purchasing power of net amounts owed** | | $ 27,186 |
| Effects of changing prices on inventories and service potential of property, plant and equipment held during the year | | |
| Due to specific prices (current cost) | | $ 68,396 |
| Due to general inflation (constant dollars) | | 59,135 |
| General inflation under specific prices | | 9,261 |

**Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (in average 1985 dollars)**

*(Dollar amounts in thousands except per share data)*

| | 1985 | 1984 | 1983 | 1982 | 1981 |
|---|---|---|---|---|---|
| Revenues - as reported | **$6,453,028** | $4,702,940 | $3,398,687 | $2,462,647 | $1,655,262 |
| - in constant dollars | **6,453,028** | 4,901,488 | 3,656,987 | 2,802,496 | 2,073,496 |
| Net income - as reported | **270,767** | 196,244 | 124,140 | 82,794 | 55,682 |
| - in current cost | **270,611** | 204,789 | 131,921 | 86,417 | 62,855 |
| Net income per share* - as reported | **1.91** | 1.40 | .91 | .63 | .43 |
| - in current cost | **1.91** | 1.46 | .97 | .65 | .49 |
| Common stockholders' equity at year end | | | | | |
| - as reported | **984,672** | 737,503 | 488,109 | 323,942 | 248,309 |
| - in current cost*** | **1,213,055** | 931,377 | 688,965 | 572,997 | 465,796 |
| Cash dividends per common share - as reported | **.21** | .14 | .09 | .07 | .05 |
| - in constant dollars | **.21** | .15 | .10 | .08 | .07 |
| Market price per common share - as reported | **45.50** | 35 50 | 23.50 | 10.97 | 7.50 |
| - in constant dollars | **44.92** | 36 30 | 25 02 | 12.12 | 8.98 |
| Average consumer price index | **312.04** | 299 4 | 290.0 | 274.2 | 249.1 |

* *Depreciation expense (current cost) for 1985 is $66,333,000 of which $3,706,000 is included in cost of sales.*

** *Preferred stock with mandatory redemption provisions has been treated for the above purposes as a monetary liability in the computation of the unrealized gain from decline in purchasing power of net amounts owed*

*** *At January 31, 1985, current cost (in 1985 average dollars) of inventories and property, plant and equipment was $1,227,264,000 and $975,350,000, respectively. At January 31, 1984, current cost (in 1984 average dollars) of inventories and property, plant and equipment was $858,155,000 and $662,552,000, respectively.*

**Note 9—Quarterly financial data (unaudited)**

Summarized consolidated quarterly financial data for 1985 and 1984 are as follows:

| | Quarters ended | | | |
|---|---|---|---|---|
| 1985 | April 30 | July 31 | October 31 | January 31 |
| Net sales | $1,234,769,000 | $1,508,534,000 | $1,583,573,000 | $2,073,985,000 |
| Cost of sales | 903,912,000 | 1,117,654,000 | 1,163,704,000 | 1,537,170,000 |
| Net income | 43,643,000 | 58,964,000 | 58,792,000 | 109,368,000 |
| Net income per share: | | | | |
| Primary and fully diluted | $ .31 | $ .42 | $ .42 | $ .76 |
| 1984 | | | | |
| Net sales | $854,734,000 | $1,098,942,000 | $1,166,594,000 | $1,546,639,000 |
| Cost of sales | 621,547,000 | 805,807,000 | 850,657,000 | 1,140,014,000 |
| Net income | 27,503,000 | 41,475,000 | 42,704,000 | 84,562,000 |
| Net income per share: | | | | |
| Primary and fully diluted | $ .20 | $ .30 | $ .31 | $ .59 |

Net income for the quarters ended January 31, 1985 and 1984, was increased $11,147,000 ($.08 per share) and $1,844,000 ($.01 per share), respectively, due to adjustment of the estimated inflation rate and other factors used to compute LIFO inventory cost for the first three quarters to the actual data for each of the two years.


*The Saturday morning meeting is Wal-Mart's time-proven means of providing open communications among all management associates in the Bentonville general office. A review of the preceding week and plans for the upcoming week are discussed in a friendly, relaxed atmosphere.*

## REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**The Board of Directors and Stockholders**
**Wal-Mart Stores, Inc.**

We have examined the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1985 and 1984, and the related consolidated statements of income, common stockholders' equity and changes in financial position for each of the three years in the period ended January 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1985 and 1984, and the consolidated results of operations and changes in financial position for each of the three years in the period ended January 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

**Arthur Young & Company**

Tulsa, Oklahoma
March 25, 1985

## RESPONSIBILITY FOR FINANCIAL STATEMENTS

**To the Shareholders of Wal-Mart Stores, Inc.**

Basic responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with Management of Wal-Mart Stores, Inc. The financial statements in this report have been prepared in conformity with generally accepted accounting principles. Where necessary and appropriate, certain estimates and judgments have been applied based on currently available information and Management's view of current conditions and circumstances. Management uses the services of specialists within and outside the Company in making such estimates and judgments.

Management maintains a system of accounting and controls to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting records provide a reliable basis for the preparation of financial statements. An important element of the system is a continuing internal audit program.

Management continually reviews, modifies, and improves its systems of accounting and controls in response to changes in business conditions and operations and to recommendations in the reports prepared by the independent public accountants and the internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Board of Directors, through the activities of its Audit Committee, participates in the process of reporting financial information. The Committee meets with Management, the internal auditors, and representatives of the Company's independent public accountants. In 1984, the Committee held two meetings and reviewed the scope, timing, and fees for the annual audit and the results of audit examinations completed by the internal auditors and independent public accountants, including the recommendations to improve internal controls and the follow-up reports prepared by Management. Representatives of the independent public accountants and the internal auditors both have free access to the Committee and the Board of Directors and attend each meeting of the Committee. The Audit Committee reports the results of its activities to the entire Board of Directors.

Management believes that it is essential for the Company to conduct its business affairs in accordance with the highest ethical standards in conformity with the law.

**Jack Shewmaker**
**Vice Chairman and**
**Chief Financial Officer**

# DIRECTORS

**David R. Banks**
President, Beverly Enterprises

**John A. Cooper, Jr.** [4]
President, Cooper Communities, Inc.

**David D. Glass** [1,3]
President and Chief Operating Officer

**A. L. Johnson** [1]
Executive Vice President
Merchandise, Sales and Operations

**James H. Jones** [2]
Investments

**Robert Kahn** [2]
President, Kahn Harris Dakin, Inc.

**Charles Lazarus**
Chairman, Toys "R" Us, Inc.

**Sidney A. McKnight** [2,4]
President, Retired,
Montgomery Ward & Company, Inc.

**William H. Seay**
Chairman, Retired,
Southwestern Life Insurance Company

**Jack Shewmaker** [1,3]
Vice Chairman and Chief Financial Officer

**Donald G. Soderquist** [1]
Executive Vice President
Administration and Distribution

**Jackson T. Stephens** [4]
President, Stephens Inc.

**James L. Walton** [1]
Senior Vice President

**Sam M. Walton** [1,3]
Chairman and Chief Executive Officer

**S. Robson Walton** [1]
Vice Chairman, General Counsel and Secretary

[1] *Member of Executive Committee*
[2] *Member of Audit Committee*
[3] *Member of Stock Option Committee*
[4] *Member of Special Stock Option Committee*

# OFFICERS

*Chairman and Chief Executive Officer*
**Sam M. Walton**

*President and Chief Operating Officer*
**David D. Glass**

*Vice Chairmen*
**Jack Shewmaker**
Chief Financial Officer
**S. Robson Walton**
Secretary and General Counsel

*Executive Vice Presidents*
**Paul R. Carter**
Special Divisions
**Thomas Jefferson**
Special Services and Assistant to the Chairman
**A. L. Johnson**
Merchandise, Sales and Operations
**Donald G. Soderquist**
Administration and Distribution

*Senior Vice Presidents*
**Bill Fields**
General Merchandise Manager, Home/Seasonal
**Harold E. Johnson**
Store Operations
**Ronald L. Loveless**
Sam's Wholesale Club Division
**A. L. Miles**
Store Operations
**Dean L. Sanders**
General Merchandise Manager, Hardlines
**Thomas P. Seay**
Real Estate and Construction
**James L. Walton**
**Colon Washburn**
General Merchandise Manager, Apparel

*Vice Presidents*
**B. D. Adams**
Store Operations
**Dwight A. Carney**
Merchandise Planning
**James K. Comeaux**
Divisional Merchandise Manager, Apparel
**Thomas M. Coughlin**
Personnel
**David Dible**
Divisional Merchandise Manager, Hardlines
**Larry W. Dimmit**
Divisional Merchandise Manager, Softlines
**Steve Furner**
Store Operations
**H. "Mac" Gammon**
Store Operations
**David H. Gorman**
Loss Prevention
**Harry S. Green**
Store Operations
**Michael J. Guccione**
General Manager, Jewelry Division
**Glenn L. Habern**
Data Processing
**Robert L. Hart**
Store Operations
**Joseph P. Hatfield**
Advertising and Sales Promotion
**William L. Hutcheson**
General Manager, Shoe Division
**Duane C. Naccarato**
Store Planning
**Gary D. Reinboth**
Store Operations
**Charles Russell**
Store Operations
**Duane C. Schue**
Construction and Engineering
**H. Lee Scott, Jr.**
Transportation
**Charles E. Self**
Finance
**Lew Skelton**
Store Operations
**D. Ray Thomas**
Store Operations
**Steve Tiernan**
Divisional Merchandise Manager, Home/Seasonal
**P. Terry Tucker**
Divisional Merchandise Manager, Apparel
**Nick White**
Operations, Sam's Wholesale Club Division

*Treasurer*
**Charles Rateliff**

*Controller*
**James A. Walker, Jr.**

*Assistant Controllers*
**Daniel L. Davies**
**Vincent P. Carney**

*Assistant Secretary*
**Bette Hendrix**

# CORPORATE INFORMATION

**REGISTRAR AND TRANSFER AGENT**
Common and Preferred Stock:
Centerre Trust Company of St. Louis
510 Locust Street
Post Office Box 14768
St. Louis, Missouri 63178

**CERTIFIED PUBLIC ACCOUNTANTS**
Arthur Young & Company
4300 One Williams Center
Tulsa, Oklahoma 74172

**LISTING**
New York Stock Exchange
Symbol: WMT - Common Stock
WMT-A - Preferred Stock

Pacific Stock Exchange
Symbol: WMT - Common Stock

**CORPORATE OFFICES**
Wal-Mart Stores, Inc.
Bentonville, Arkansas 72716
Telephone: 501/273-4000

**ANNUAL MEETING**
The Annual Meeting of Shareholders of Wal-Mart Stores, Inc., will be held on Friday, June 7, 1985, at 10:00 a.m. in the Auditorium at the Corporate Offices, Bentonville, Arkansas.

**INVESTORS' INQUIRIES**
**FORM 10-K REPORT**
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1985, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to:
Bette Hendrix
Assistant Secretary
Wal-Mart Stores, Inc.
Bentonville, Arkansas 72716


WAL-MART STORES, INC., BENTONVILLE, ARKANSAS 72716